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# *The* **MANAGEMENT REVIEW**

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Number 6

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# *The* MANAGEMENT REVIEW

June, 1927

## Why Is an Office Manager? <sup>1</sup>

This article has been written for the purpose of raising a fundamental question of organization. The Committee on Management Organization is giving consideration to this problem and discussions of Mr. Bergen's paper will appear in later numbers of the *Management Review*. Any comments on this article will be welcomed by the Editor.

By HAROLD B. BERGEN, *Manager Personnel Department,*  
*Henry L. Doherty & Company*

WE don't know. Perhaps the caption should be: What is an office manager? It is very difficult, in any event, to find a satisfactory answer to either question.

At the present time there is a tendency for every specialist connected with a business institution (e. g., purchasing agent, advertising man, librarian, psychologist, statistician, etc.), who has the urge to contribute to management literature, to state boldly that his position is very, VERY important, and that he should appear on the organization chart as responsible only to the President and General Manager. One has only to look through the mass of management literature which has flooded the business world during the last ten or more years, to discover that the manager of each department "should" report to the chief executive of a business institution. To illustrate this tendency, mention might be made of the fact that some time ago a gay essayist, who is a specialist in charts and graphs, advanced the interesting hypothesis that the manager of the Chart Department should be responsible only to the General Manager.<sup>2</sup>

The ridiculousness of such sophistries is self-evident. As Louis F. Musil so aptly phrases it, "if we should take all of these gentlemen seriously when organizing an enterprise, we should be obliged to place the poor Presi-

<sup>1</sup> The critique by J. O. McKinsey of the first draft of this paper is gratefully acknowledged.

<sup>2</sup> BIVINS, P. A. Charting as an aid in Stabilizing Profits. *Industrial Management*, Vol. LXIV, 1922, p. 214.

dent in the impossible position of trying to coordinate directly the activities of a score or more individuals."<sup>3</sup>

In view of the above tendency, is it at all surprising that the so-called office manager feels the urge for self-expression? At the present time there exists a group of individuals whose real purpose seems to be to dignify the job of office manager by claiming that it is comparable to the positions of production manager and sales manager. In other words the three major executives of an industrial enterprise should be the production, sales, and office managers.

Does this mean that the office manager should exercise line control over the office force, similar to the line control exercised by the production manager over the plant force and by the sales manager over the sales force? Or does it mean that he should exercise functional control over all of the office employees? McKinsey has distinguished between line and functional control by stating that "an executive has line control over activities when he is responsible for the performance of these activities and he has functional control over the activities when he is responsible for prescribing the method by which these activities are performed, or has the authority of approving the method by which they are performed."<sup>4</sup> If line control is meant, this paper can soon be completed; but, if functional control is meant, it must go on.

If line control is meant, the specious reasoning is apparent. Each activity of a business institution has its office staff. The production departments have their routing, scheduling, and dispatching clerks, store room clerks, record clerks, etc. The marketing departments have their copy writers, correspondents, record clerks, report clerks, etc. The financial departments have their tellers, correspondents, record clerks, etc. The accounting departments have their bookkeepers, cost clerks, statistical clerks, etc. The personnel departments have their file clerks, record clerks, etc. Would it be practical to centralize control of all these office employees under an office manager? Could such excessive centralization do anything but work a hardship on the institution? Even in a small company, would such centralization seem desirable?

If functional control of the office forces is meant, that is something else again.

As it is difficult, when discussing organization problems, to isolate any particular department or function, it may be desirable to outline more specifically the activities of all of the various functions of a business, including a consideration of what the major functions of a business are. It would be platitudinous to say that there is no such thing as an ideal organization. Any

<sup>3</sup> MUSIL, L. F. *Co-ordinating Financial with Accounting, Statistical, Personnel and Office Management Functions*. American Management Association, Financial Executives' Series; No. 9, 1926, p. 3.

<sup>4</sup> *Sixteen Trends in Management Organization*. American Management Association, Annual Convention Series: No. 33, 1926, p. 11.

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student of management knows that. But, is there any reason why a hypothetical organization should not be presented as a basis for discussion? It is also difficult to find a scientific basis for a discussion of the problem of organization. At the present time experiments can not be made under controlled conditions. Solutions which are advanced must be, at best, philosophical. Few students of the problem will agree as regards the most fundamental principles. In addition, one cannot generalize too much about principles of organization, inasmuch as the problems of a small company may suggest an organization plan decidedly different from that which would be suitable for a large institution. In this paper, therefore, the discussion will apply only to the larger type of company.

### Major Functions of a Business

What are the major functions of a business? The Alexander Hamilton Institute has indicated that it believes they are four in number; production, marketing, finance, and accounting. Professor Callan of the Graduate School of Business Administration of Harvard University has stated that the courses of that institution could be classified into the four major functions of business, namely; production, marketing, finance, and records (i. e., accounts, statistics, etc.).<sup>5</sup> Harry A. Hopf presented a paper a few years ago in which he pointed out that, in addition to the four just mentioned, a fifth function, industrial relations or personnel, should be added.<sup>6</sup> The philosophy of organization developed by James O. McKinsey indicates that he is inclined to take a similar point of view.<sup>7</sup>

In considering the activities which are included in each of these five major functions, the problem of research and development should be discussed at some length. Any practical operating man knows that the dynamic problems of operation must be solved before attention can be given to the less dynamic problems of establishing operating standards by research and development, and that research invariably suffers. He also knows how difficult it is to give attention at one moment to some insistent problem of operation and then to concentrate at the next on some problem of scientific research. On the other hand, the research man knows that the greatest success is achieved in scientific development, if one can indulge for prolonged periods of time, if necessary, in concentration upon some knotty problem of investigation, analysis, synthesis, and standardization.

Research is concerned primarily with investigations conducted in the spirit and with the methods of science. The scientific method postulates that

<sup>5</sup> At a meeting of teachers of management under the auspices of the Taylor Society New, York, December 5, 1924.

<sup>6</sup> Cf. HOPF, H. A. Personnel Activities in Financial Institutions, *Proceedings of the Academy of Political Science*, Vol. IX, 1920-1922, pp. 723 ff.

<sup>7</sup> Cf. MCKINSEY, J. O. *Reorganizing Executive and Financial Management Functions*. American Management Association, Financial Executives' Series: No. 5, 1925, pp. 6ff, and *Sixteen Trends in Management Organization*, pp. 9ff.

the research man should not be guilty of "intellectual immoralities." It has been stated that some of these "immoralities" are:

1. Slovenliness in logic, fantastic explanations.
2. Generalizing beyond one's data.
3. Confusing opinions with knowledge.
4. Confidence in the results of research in disregard of weakness in proof and verifications.
5. Pride allowed to result in persistent belief in a theory for which one has been given credit?
6. Formulating an hypothesis on weak bases of facts, and then becoming blind to facts in opposition.
7. Emotionalism during research, 'I believe' instead of 'I have proved.'
8. Adjusting theories to popular likes and dislikes.
9. Opposition to proof of another's theories because of jealousy.
10. Opposition to a theory merely because of ignorance and stupidity, 'I can not see how.'
11. Degenerating into a propagandist of an unproved hypothesis, instead of being true to the research purpose of discovering the truth.
12. Cowardice in supporting a verified generalization because it is unpopular and conflicts with a selfish interest.
13. Impatience, unwillingness to proceed step by step through a research.
14. Ignorance of the mechanism of instruments of precision, which results in their use when out of order.<sup>a</sup>

It is difficult to conceive of a successful operating man who does not frequently indulge in some of the "intellectual immoralities" which have been indicated. In this respect perhaps some features of this paper are assailable.

There is some question as to whether or not the research activities should be centralized in a sixth major function. It is believed, however, that this research should be centralized within each function rather than further centralized in a sixth function. Most of the research work should be carried on by the staff men who constitute the research departments. These men should be trained in the scientific method and should not have administrative responsibilities. They should be under the line control of the line executives, although they should be under the functional control of a director of research, presumably the Assistant to the President, who would have a staff of his own which would handle problems which could not best be handled by the other staff men.

At the present stage of the development of management, one of the big problems in most companies is to get the executives to use properly the information collected for them. In other words, there is a selling problem involved which must not be lost sight of in setting up an organization plan. The line executive is more inclined to use the information developed by a staff man who is under his direct control than he is to use the information developed by centralized research. The staff man being in daily contact with the line executive will also have a better appreciation of his problem and will

<sup>a</sup>The Character Education Institution of Washington, D. C. Quoted in *Public Personnel Studies*, Vol. III, 1925, p. 336.

be able to judge better the kind of information which the executive most needs.

It may seem that undue consideration has been given in this paper to the problem of organizing the research activities. But, as has been stated, it is difficult to isolate a discussion of office management from a discussion of the activities of the major functions of a business institution. For reasons which will appear later, the problem of the co-ordination of research needs special treatment.

To facilitate a discussion of the question of whether or not an office manager should be appointed with functional control of the office forces, the organization chart of a hypothetical business institution appears in Figure 1. It will be noted that the grouping of departments and functions is as follows:

- A. Function of Production, consisting of the following departments:
  - 1. Purchasing.
  - 2. Stores.
  - 3. Fabricating.
  - 4. Traffic.
  - 5. Production Research.
  - 6. Production Planning.
- B. Function of Marketing, consisting of the following departments:
  - 1. Public Relations.
  - 2. Advertising.
  - 3. Sales.
  - 4. Marketing Research.
  - 5. Marketing Planning.
- C. Function of Finance, consisting of the following departments:
  - 1. Cashier's.
  - 2. Credit.
  - 3. Collection.
  - 4. Real Estate, Insurance, and Tax.
  - 5. Financial Research.
  - 6. Financial Planning.
- D. Function of Accounts and Records, consisting of the following departments:
  - 1. Accounting (including the Cost Division).
  - 2. Statistical.
  - 3. Office Service.
  - 4. Methods Research.
  - 5. Budget.
- E. Function of Personnel Relations, consisting of the following departments:
  - 1. Employment.
  - 2. Educational.
  - 3. Medical and Safety.
  - 4. Employees Service.
  - 5. Personnel Research.
  - 6. Personnel Planning.

It will also be noted that several miscellaneous departments have been grouped under the Assistant to the President, as follows:

- 1. Corporate Records Department.
- 2. Inspection and Auditing Department.
- 3. Fundamental Research Department (including the Economic Research Division).

The dotted lines at the bottom of the chart indicate the co-ordination of the various functions by means of budgetary procedure.

Many questions might conceivably be raised concerning the organization plan indicated by the chart. For example, should the Traffic Department be a division of the production function? In many cases, this department deals more with the distribution of the product sold than it does with the material

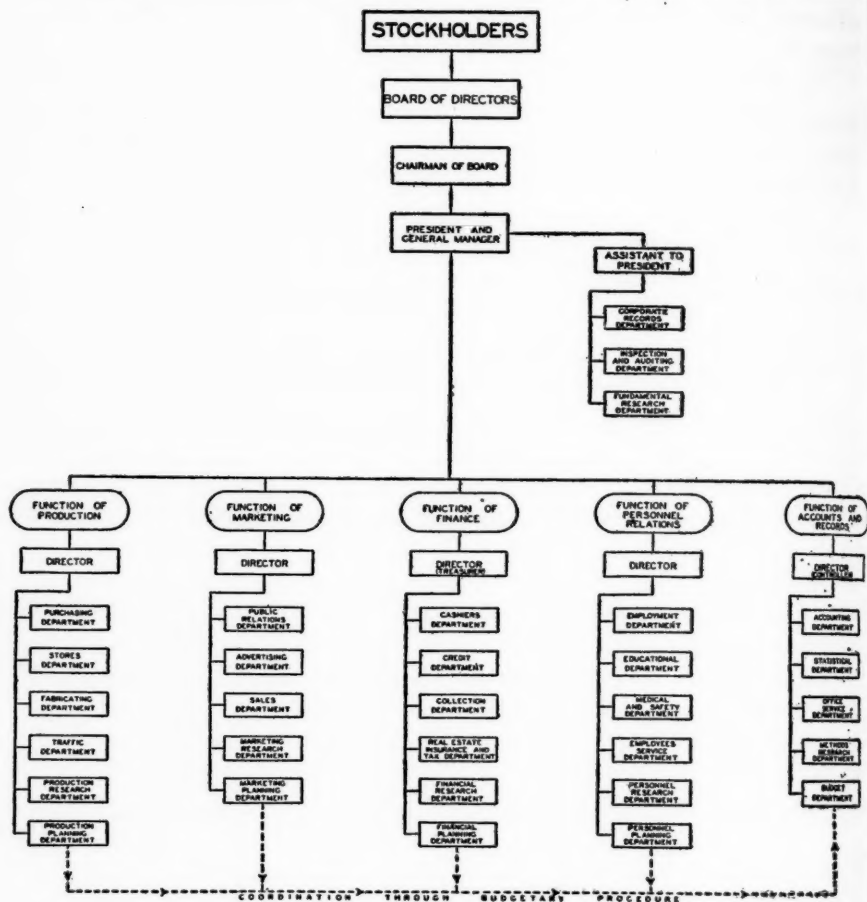


FIG. 1. ORGANIZATION OF A HYPOTHETICAL BUSINESS INSTITUTION

bought. Again, should the Purchasing Department be under the director of production? Purchasing is primarily a marketing problem. Is the typical production man well qualified to supervise such an activity? Another question might be raised as to whether the public relations department should be a division of the marketing function. Some students of organization are inclined to believe that this department is more closely related to the personnel function than to any other function of the business, inasmuch as they are of

the opinion that the most effective public relations work is that which is done by all the employees of the business and that this result is brought about only by the careful education of the employees. These matters, however, have relatively little bearing upon the problems which are being discussed in this paper, and they will, therefore, receive no further treatment.

In considering the question: Should the functional control of the office forces be centralized in an office manager, it will be desirable to examine in some detail the various problems of office management. The excellent list of sixteen major problems of office management which has been prepared by M. B. Folsom is representative of the field.<sup>9</sup> Considering each of these in turn and in the light of the hypothetical organization, it would seem that they are susceptible to more legitimate solution, as indicated in the following:

1. **Building**—Planning problems in connection with efficient floor layouts, expansion, light, heat, ventilation, noise, etc., should be handled by research.
2. **Furniture and Equipment**—Standardization of desks, chairs, filing cabinets, etc., should be handled by research. Control of purchases should be included in the budgetary procedure operated by the Function of Accounts and Records.
3. **Office Appliances**—Investigation of new uses for and standardization of office machinery should be handled by research.
4. **Stationery and Forms**—Standardization of forms, supplies, etc., should be handled by research. Control of purchases and disbursements should be included in the budgetary procedure operated by the Function of Accounts and Records.
5. **Personnel**—Personnel research should be handled by the research departments. Operating problems of acquiring and maintaining a satisfactory and satisfied working force should be facilitated by the Function of Personnel Relations.
6. **Job Analysis**—Job analysis should be handled by research.
7. **Salary Standardization**—Job classification, setting of salary standards, and the development of premium systems should be handled by research.
8. **Correspondence**—The establishing of correspondence manuals and standards should be handled by research. Educating dictators in improving their correspondence should be in the hands of the Function of Personnel Relations.
9. **Stenography and Typing**—The establishing of standards should be handled by research. The furnishing of centralized service should be handled as indicated in the paragraph which follows.
10. **Filing**—See (9).
11. **Intercommunication**—See (9).
12. **Organization**—Problems of the organization of functions, departments, divisions, sections, etc., should be handled by research.
13. **Departmental Expense Statements**—Reports should be handled by the Function of Accounts and Records.
14. **Office Methods and Routine**—The development of methods and procedures should be handled by research.
15. **Measurement and Control of Output**—Methods for controlling and measures of output should be developed by research. The actual control should be in the hands of the supervisory employees. The records of output should be a part of the budgetary procedure operated by the Function of Accounts and Records.

<sup>9</sup> FOLSOM, M. B. *The Field of Office Management*, American Management Association, Office Executives' Series; No. 10, 1925.



16. **Periodic Departmental Surveys**—*By Someone with a Perspective*—Surveys should be made by the Inspection and Auditing Department as a check on the maintenance by individual departments of the standards which have been established by research.

Having disposed of the major problems of office management, we may question whether there are any problems which demand the attention of an office manager. Musil says "The clerical work in any given establishment is usually decentralized. Each division and department, depending on the nature of its activities, has its own force of clerks. Office standards are developed by the research activities; facilitation of the acquisition and maintenance of office employees is in the hands of the personnel relations activities; office budgetary procedure is taken care of by the budget system. What is left? Only the centralization of such office service activities as (1) filing, (2) messengers and office boys, (3) telephone and telegraph, (4) porters and elevator men, (5) stenography and typing, (6) duplicating and addressing. These activities can be grouped together into an Office Service Department. In many organizations this office service activity is called 'office management.' To my mind, that is a most misleading title. It would require a vivid imagination to consider office service as one of the major activities of the business."<sup>10</sup>

Commenting editorially on this statement, *The Office Manager* says, "This statement was received without enthusiasm when reported to the Office Executives' Division (American Management Association), the consensus of opinion being that such a view reflected an excessively fine division of authority, much of which might profitably be concentrated under the direction of the office manager, or that the potential value of expert office administration had not been realized under such a plan."<sup>11</sup>

It is difficult to discover just what is meant by this commentary. Apparently it means that the office manager should have line control of all office management problems. In any event, is not the reasoning fallacious? Why is the centralization in a personnel relations function of the functional control of problems of plant, sales, and office personnel, the centralization in the budget department of plant, sales, and office budgetary procedure, and the co-ordination of plant, sales, and office research "an excessively fine division of authority?"

It would seem logical that office management should be decentralized but that the office service activities indicated by Musil should be centralized under the manager of an office service department. But should such an individual be called the office manager? The opinion is offered that it would not be good organization in a large company to establish the position of office manager. Would it be good organization to do so in a small business?

<sup>10</sup> *Loc. cit.*, p. 7.

<sup>11</sup> Vol. I, 1925, p. 345.

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# THE MANAGEMENT INDEX

## Abstracts and News Items

### GENERAL MANAGEMENT

#### Balanced Organization Holds Down Costs

The president of the Moto-Meter Company describes his method of defining responsibilities. The organization chart of the company is given. Following articles will describe methods of cost, production, inventory and sales control. By Geo. H. Townsend. *Manufacturing Industries*, April, 1927, p. 249:4.

#### Henri Fayol

The most distinguished French management engineer outlines the life and work of a great French engineer, a great scientist and a great management leader which culminated in what is called the "administrative doctrine."

According to Fayol all the functions contained in any undertaking are contained in the six following groups:

- a. Technical (producing, manufacturing, transforming).
- b. Commercial (buying, selling, exchanging).
- c. Financial (finding and managing capital).
- d. Safety (protecting property and persons against casualties).
- e. Accounting (inventory, cost accounting, balance, statistics, etc.).
- f. Administrative (planning, organizing, commanding, coordinating, and controlling).

The administrative general principles of Fayol are summed up as follows:

The administrative capacity has its foundation to a certain extent in natural

gifts; but it has a foundation also in a thorough understanding, acquired from actual experience, of the principles and rules of the Administrative Doctrine, which can be summarized as follows:

Division of work; authority coupled with responsibility; discipline; unity in command; unity in management; general interest first; equitable remuneration of work; centralization (more or less according to circumstances); equity; stability of staff (small turnover); initiative; co-operation ("l'union fait la force," better than "diviser pour régner").

Such are the fundamental principles put in practice under the "Administrative Doctrine." To carry out these principles, it is necessary to set on foot a planning or budgeting provision for the future based on a thorough understanding of the past and present life of the undertaking; an acting program or schedule safeguarding unity and continuity in acting; an organization chart; annual, monthly and weekly reports; and proceedings of the committee of executives, of the greatest importance for cooperation. By Charles de Freminville. *Bulletin of the Taylor Society*, February, 1927, p. 303:4.

#### Business Conditions in the Los Angeles Region

This is one of a series of graphic analyses prepared in the interest of coordinating statistical research and business management with special reference to current economic conditions and tendencies in regional areas of the Pacific Coast.

The general business index and forecast covers a line for normal growth, a line for advanced estimates and a line for the business index. It covers such matters as forecasting department store sales, real estate activity, building construction, automobile sales and security prices. *Silberling-Schaffer Business Reports*. March 8, 1927. 4 pages.

#### Yesterday's Costs Save Today's Profits

The president of the Upson Company describes the strategic volume below which no department or machine may fall. Whenever the volume falls below that line a telephone report must instantly be made to the general manager's office. These people operate the cost records and they save their day's pay almost every day before 10 o'clock. Workmen, as well as foremen, are supplied with statistical aids to cost reduction. Weekly meetings of the heads of the Sales, Production and Purchasing Departments coordinate these channels of the business. By C. A. Upson. *Factory*, March, 1927, p. 458:4.

#### The Problem of Analyzing Local Business Conditions

This paper analyzes the methods used by the Eberle & Riggleman Economic Service in analyzing local business conditions for business men on the Pacific Coast. The plan is based on an analysis of the business man's needs and a determination of the nature of what he could use effectively. The business man appreciates, at least in a general way, the relation of his business to the subdivision situation and can use an analysis of this subject directly in formulating his policies. The surveys therefore include a monthly analysis of the general business situation in the specific area for use as general background material. This is followed by reports each week of special situations of general interest which the business man can readily understand and apply in solving his problems. The paper takes into consideration business cycles, local and national, geographical variations in local business con-

ditions, variations in different lines of business. It stresses the importance of discovering accidental movements and changes or faults in the secular trend and the importance of furnishing analyses which business men can apply. By John R. Riggleman. *Eberle & Riggleman, Inc.*, Los Angeles, 1926, 11 pages.

#### The Annalist Index of Business Activity Revised

This is a highly scientific document outlining the reasons for the revision of the Annalist Index and setting forth the changes made. The two principal reasons for the revision are:

1. That further progress in statistical method now makes possible a higher degree of precision in the elimination of seasonal variation.

2. That sufficient time has now elapsed to establish the reliability as business indices of a number of series of statistical data which were thought unsuitable for inclusion in the combined index a year ago.

In the revised index the elimination of the seasonal element is done more precisely, and ten statistical series are used instead of six. The series added are: steel ingot production, bituminous coal production, boot and shoe production and zinc production. By D. W. Ellsworth. Reprinted from *THE ANNALIST*, January 28, 1927, 13 pages.

#### Leadership

At the conference held on May 9 and 10 at the National Research Council the opening paper by Ordway Tead was stimulating and scholarly. He defines leadership as "the name for that combination of qualities by the possession of which one is able to get something done by others chiefly because through his influence they become willing to do it." General M. B. Stewart deplored the all too frequent drivership instead of leadership, and thought that a satisfactory degree of leadership might be attained by anyone with intelligence, vision and a sense of humor. His outline of do's and don'ts for

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a leader is: duty, first, last and always; be on your job; be square; don't duck responsibility; stay on your pedestal; be human. Wallace Clark said that Gantt man record charts measure leadership as well as output per man; and that the best leadership is no longer emotional but utilizes modern management. H. Tukey described the foremen conferences at the Western Electric Company. H. S. Gilbertson described the development of mine foremen at the Lehigh Coal and Navigation Company. J. David Houser presented an interesting method of measuring morale by employee ratings of conditions of employment; the working relationship between employer and employee having been broken down into 21 elements. Contrary to a prevailing idea, pay did not appear to rank first in importance with employees. Pay seemed to be high where morale was low, and it was observed that medium pay went with good morale.

Dr. H. S. Person in reviewing recent steps said that we do not know the earmarks of leadership although we have certain statements regarding its qualities; that environment is a strong factor in bringing out leadership; that there is not much analytical ordered development of leaders; and that Craig, Houser and Thurstone have started experiments which in the laboratory produce ways of measuring. In forecasting next steps Dr. Person said that there should be no attempt to restrict pioneering; that there should be an effort to promote research which utilizes the best methods of measuring; that there might be interesting results from an aggregate of personal interviews with leaders, or a study of specific acts of leaders; and that this method might well be applied to other than industrial groups—even small children. By E. K. D. *Joint Meeting of Taylor Society and Personnel Research Federation.*

## FINANCIAL MANAGEMENT

### How to Read a Balance Sheet and Operating Statement

This article is a discussion of the items entering into a balance sheet. Rigid, fixed rules for granting credit are unsatisfactory, if not dangerous. Each case or each group of cases must be studied separately in the light of its own conditions. The two to one ratio of assets to liabilities idea is criticized. The ratio should vary with different kinds of business.

The author then proceeds to discuss such items as cash balance, investments, accounts receivable, inventories, prepaid and accrued items, plant and equipment, special asset items, consolidated statements, assets hypothecated, accounts payable, notes payable, accrued items and reserves, bonded debt, net worth, budgets and forecasts, the natural business year, supplementary information, the operating statement and Robert Morris ratios. Under each of

these items he points out reasons why it may be desirable to go considerably beneath the surface. By C. Oliver Wellington. *N. A. C. A. Bulletin*, February 1, 1927, 503:13.

### New Uses of Insurance

The author argues that there ought to be on the books right now an amount of life insurance equal to about six or eight times of all the property of America. He points out that the principles of appraisal, of capitalization, of depreciation, of sinking funds, of indemnity, of conservation, of wills and trusts, of liquidation, of investment, indeed the whole range of principles of corporation finance should be applied to the consideration of the value of workers' lives. A legal reserve is simply an ordinary sinking fund. A life insurance policy ought to be called a life insurance bond. The author then discusses uses to which insurance may be put in business adminis-

tration. Building and loan associations, savings banks, bond houses, etc., should all use life insurance as a contingent protection. By Dr. S. S. Huebner. *N. A. C. A. Bulletin*, April 1, 1927. p. 694:19.

### Professional Co-Operation Between Accountants and Attorneys

This paper goes into considerable detail regarding the place of accounting data in legal cases and the value of the accountant understanding legal problems. In litigation facts play a more important part than law. Moreover, the accountant can play a very helpful part in avoiding litigation. In a close case the accountant is all that is needed to throw the matter into arbitration instead of litigation. The importance of accounting in the drawing of contracts with employees is also important. The article reviews some intricacies of the introduction of books of accounts into legal cases.

The largest opportunity for cooperation by accountants lies outside the field of litigation and in his current contacts with his client's or employer's legal department or his attorneys. The connection with income tax matters is obvious. The same is true in regard to contracts with executives and also in regard to Board of Director's statements in regard to dividends. By Harold Dudley Greeley. *N. A. C. A. Bulletin*, May 15, 1927, p. 838:14.

### Some Central Problems of Overhead Costs

It is commonly known that overhead costs is the outstanding problem among accountants, but it is not so commonly realized by executives that it is also one of their outstanding problems. "The allocating of overhead costs contains some of the most delicate problems of business policy," says John Maurice Clark in the first of the significant papers presented in this issue. There may be a difference, he says, between costs for which an order or lot may be economically responsible, and the costs which an accountant may charge to the order or lot. The executive must

keep an eye on economic responsibility as having a bearing on policy.

The accountant, as accountant, is interested primarily in the costs of that which has been done. The executive also is interested in such facts, but he is even more interested, as a problem of policy, in what would be the cost of doing something other than is being done. For instance, Professor Clark calls attention respectively to the relative significance of overhead in the economic or fundamental costs of extending operations beyond normal plant capacity, of undue extension of operation at the peak season by increase of facilities, and of increase of operations at off-peak seasons. His discussion gives light on the cost significance of regularization. It also suggests that, from the point of view of costs, the present habit of current buying, even though it brings problems of costs, may in the long run prove to be an advantage. Editorial Comment, *Bulletin of the Taylor Society*, February, 1927, p. 287:7.

### Furnishing Financial Statements Within Ten Days After Closing

In this paper the Assistant Comptroller of the Bethlehem Steel Corporation outlines how financial statements may be obtained not later than five days after the close of the operating period. The organization for accomplishing this result should have as its corner stone an auditor or comptroller clothed with authority that makes his position supreme in all matters relating to accounts, so that he may conduct its duties unhampered.

The functions of such a department divide themselves into cost work, invoicing, accounts payable, disbursements, general ledger and such other divisions as are required in keeping with the volume of business transactions.

The cost work of the Bethlehem Steel Corporation is identified under two groups, namely, process costs and manufacturing order costs. The second class is divided into two groups, that applying to orders that

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have been completed and that which applies to uncompleted orders. These distinctions contribute a great deal toward the early determination of costs and profits, especially when they permit determining upon completion the costs and profits of manufacturing orders completed during the operating period.

The process of getting these results is discussed under the headings of Labor, Material, and Overhead. Completed order cost should be determined promptly upon completion even though the completion occurs before the close of the operating period. Cost and manufacturing profit statements should be prepared and distributed immediately without regard to the ultimate trial balance. By W. L. Lewis. *N. A. C. A. Bulletin*, March 15, 1927, p. 654:10.

#### The Labor Factor in Investments

The experienced investor realizes that the real safety of any investment depends upon earning power. As long as the corporation earns a profit sufficient to meet its interest and dividend payments promptly as they are due, the security is a satisfactory investment.

Measuring this earning power in a prospective investment the trained analyst has been in the habit of breaking up the operating statement of a corporation to find out where the sales dollar goes. He has

tested operating costs for possible increases which might diminish or wipe out profits. He has found wages as a large factor in the expense of many businesses, in the vast majority of cases he has found direct labor costs several times as great as the relatively small but highly important net profit.

Unfortunate experience with strikes, shutdowns and wage increases has led the investor to look up a high labor factor as a distinct disadvantage from an investment viewpoint. He has seen a strike wipe out a year's profit and pile up a deficit. With a 20 per cent labor charge and a 4 per cent profit he has seen a 10 per cent increase in wages cut earnings in half. He has come to consider the labor factor as the least controllable and therefore the most dangerous expense factor in a business. Public utilities and other industries with a small proportionate wage charge have been in favor, while manufacturing industries with fat payrolls have suffered. The same fat payroll which threatens disaster if it increases offers the possibility of doubling and trebling present earnings if it can be decreased. Scientific wage determination has been proved as a practical solution of the problem. Labor cost per unit can be reduced at the same time. Details of scientific wage determination are set forth. By Carle M. Bigelow. *Barron's*, March 28, 1927, 3/4 page.

## OFFICE MANAGEMENT

### Organization: Job Analysis, Employment, Pay, Tests

#### Over-Manning Offices

According to recently published American statistics the population of the United States has slightly more than doubled, and the number of occupational workers, exclusive of agricultural labor, has a little more than doubled since 1880, but the number of office workers has multiplied 17 times during that period. This is partly due to the separation of functions and supervision; and partly to the division of re-

sponsibility in office management and the hiring of inexperienced or poorly trained office help. German manufacturing corporations tend to drift into the same situation. Unless the brakes are applied the time will come when most people will earn an honest, yet very moderate, income by writing each others' letters or keeping each others' accounts. The remedies suggested for this anomalous condition are: centralization of responsibility in office man-



agement; employment of trained office help; use of labor-saving office devices which make for economy. By Karl Italicner. *Ztschrt. f. Organisation*, April 5, 1927. p. 177:2.

#### **Selection of Typists and Stenographers: Information on Available Tests**

A comprehensive summary of such tests including where they may be obtained. By Max Freyd. *Journal of Personnel Research*, April, 1927, p. 490:21.

#### **Stability of Office Workers and Age at Employment**

Records of 196 men and 420 women office workers hired by the Aetna Life Insurance Company in 1920, 1921, 1922 and 1923, were studied to trace the influence of age at employment on permanency of service with the firm. It was found that of men under nineteen years of age at employment, 17 per cent were still with the firm in December, 1926; of those between nineteen and twenty-five, 27 per cent; and of those over twenty-five, 54 per cent. The corresponding figures for women were 29, 19 and 37 per cent. Various theories are given to account for these results. By Marion A. Bills. *The Journal of Personnel Research*, April, 1927, p. 475:3.

#### **Uncle Sam Rates the Efficiency of His Office Workers**

A Graphic Rating Scale is the basis of the system of efficiency ratings which is now standard for all government offices at

Washington. It carries the appraisal of each individual employee and when translated into percentage terms supplies the key to the employee's standing. The points as given on which Uncle Sam rates his employees are accuracy, reliability, neatness, speed, industry, knowledge, judgment, personality, co-operation, initiative, ability to pursue assignments, leadership, and quantity output.

An employee whose efficiency rating falls below 65 will not be continued longer in the work. All workers whose ratings are above 70 are eligible for salary promotion commensurate with the showing of ability. The average rating is about 82 per cent. By Waldon Fawcett. *The Office Economist*, May, 1927, p. 3:3.

#### **Relative Salaries of Men and Women in Office Employment in Massachusetts**

The Massachusetts Department of Labor and Industries recently summarized the results of a survey of salaries, covering 22,427 office employees in 1,075 establishments in Massachusetts. The median salary has been taken as the standard of comparison. In positions where men and women are fairly equally represented, the difference in the salaries paid to men and women in the same positions increases as the salary paid to men in these positions increases. In positions where women predominate, the differential between the median salaries of men and women is reduced. The reverse is true for positions where men are predominant. The Massachusetts survey shows that the median salary paid to men mail clerks is less than that for women clerks. *Industry*, April 9, 1927, p. 4.

#### **Training and Education: Schools, Libraries, Employee Publications**

##### **Slot Machine Education**

Educational ideas in recent years have had a startling upheaval; the college and university realize that they must keep education up-to-date, after years of adolescence have passed. One large city institu-

tion has 3,661 day students as against 11,013 who attend night sessions. Before the age of over-specialization business had to instruct the young man. Now, although a graduate of one of the schools of journalism may have to start as a cub reporter, he will remain a cub reporter a



much shorter time, because he starts with the technique of a reporter in his possession. The bank runner will have to run a much longer time and a much longer distance than the boy who has taken a course in banking. A sales-clerk will reach efficiency much more quickly if he knows something of salesmanship. Even the janitor who shovels coal into the furnace will save his building much more than the college course would cost him, if he knows something of the principles of conservation.

So this is education! The college writes its graduate body telling them the newest books to read in their particular profession or business. College laboratories send their men to laboratories owned by corporations. The Bell Telephone Company, the Du Pont factories and other concerns maintain corps of workers. Never before

has business been so scientifically founded as now. By Montrose J. Moses. *The Shrine Magazine*, May, 1927, p. 25:4.

#### Editing Two Issues of a House Organ At One Time

One of the principal reasons why house magazines cease publication is the repeated postponement of their preparation. The editor of the American Mutual Magazine plans to have enough material of sufficient variety in subjects to make up at least three issues. There is a distinct financial advantage in preparing two issues at once, because the two covers can be printed at one time at a saving in cost, in some cases as much as \$100. By Carl Stone Crummett. *Printers' Ink Monthly*, May, 1927, p. 43.2.

#### Space: Location, Equipment, Arrangement

##### Noisy Offices

A noisy office makes a slow stenographer. This is a conclusion which can be rightly drawn from the twelve day noise test conducted at the psychological laboratory of Colgate University. Every day for two weeks a speed typist pounded out letters while a noise machine manufactured office and street sounds within five feet of her chair. Half the time she worked in a

laboratory where the sound echoed and vibrated around the room. During the other half of the time, the brick walls of the laboratory were covered to deaden the vibrations to about half their original strength. It was found that an expert typist is able to keep her accuracy even when a room is full of noise and confusion, but the greater effort required drains her energy, and slows down her speed. *The Daily Register*, March 26, 1927.

#### Benefit Systems and Incentives: Pensions, Profit Sharing, Suggestions, Vacations, Stock Ownership

##### Bonus To Employees Who Exercise

The popularity of daily exercise as a health measure has grown to the point at which the executive of a large office is giving a cash bonus to each of his employees who takes an hour's exercise daily. The results have been gratifying so far, reports the National Safety Council, in whose headquarters office the experiment has been tried.

The director believes that the innovation will increase efficiency and decrease the

number of absences on the part of persons who stay at home when they have slight ailments. A person who gets enough exercise to keep him fit is happier and more interested in his job, states the director. *Hygeia*, April, 1927.

##### Utilities' Group Insurance

Five public utility companies have instituted or increased their insurance programs, in the last few days, insuring an aggregate of 6,000 employees for an

amount of more than \$12,000,000, or an average of \$2,000 for each employee.

These companies are the Northern States Power Company, the San Diego Consolidated Gas and Electric Company, the Minnesota Power and Light Company, the Oklahoma Gas and Electric Company and the Utica Gas and Electric Company.

Each of these companies took the contributory or cooperatively purchased protection, by which companies and employees share the expense. The Minnesota company also arranged a free plan of insurance, which protects all employees who have been a year in its service without cost to them, in addition to the contributory insurance. The four other companies have granted group coverage to all who have been in

service six months or more, each employee's insurance roughly approximating the amount of his annual income.

The Northern States Power Company had already adopted a free plan of group insurance. *New York Times*, April 19, 1927.

#### Retirement Plans of Life Insurance Companies

Contributory plans of 6 companies, non-contributory plans of 9 companies and miscellaneous plans of 7 companies are outlined. Special Report No. 7. *Life Office Management Association*, April 1, 1927. 30 pages.

## PRODUCTION MANAGEMENT

### General: *Promotion, Organization, Policy, Development*

#### Citizens of North Adams Adopt Novel Plan for Encouragement and Support of Local Industries

Citizens of North Adams, acting through the Chamber of Commerce, have adopted a novel plan for stimulating and promoting industrial and commercial activity and attracting outside manufacturing organizations to their community. The plan provides for three committees. The survey committee forms contacts and loans its experienced industrial leaders to help solve the incidental problems arising in enterprises already located or considering locating at North Adams. The executive committee investigates prospects, or local industries in need of assistance, induces new industries to locate and retains already existing industries. The executive council has legal power of attorney, approves loans, renewals and endorsements of loans, and has charge of all financial arrangements. This council carries the binding guarantee of citizens to the extent of \$175,000, but its endorsed loans can never exceed 90 per cent of the aggregate paid in subscriptions. Each subscriber guarantees a definite sum.

In case of loss his responsibility is proportionate in the amount his subscription bears to the aggregate total of all subscriptions. In case of his insolvency the remaining subscribers may be assessed up to ten per cent of their total subscription. In case of his death his estate is not held responsible for loans made after his death. The plan described remains in force for five years, but liabilities made during this term cannot be released at its expiration except by written consent. *Industry*. April 23, 1927. p. 1:2.

#### Cutting Costs by Increasing Output

Costs of production may be divided into two classes: fixed or overhead, and direct. The question of when and how far it is practicable to reduce prices in order to increase volume of production is thus summed up: prices may be lowered to stimulate larger sales and production, provided existing plant capacity is not fully utilized at the time and provided, further, that the price reduction is not greater than the reduction which can be achieved in fixed

cost per unit resulting from increased volume.

The essential thing is to have adequate cost accounting. There is no magic in in-

creased volume, and it may sometimes be better to limit the volume of output instead of increasing it. By E. S. Gregg. *Kardex Institute Bulletin*, March 3, 1927.

### **Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration**

#### **Condition of Labor Banks as of December 31, 1926**

Thirty-six labor banks were in operation at the close of 1926. One of the New York banks was sold to private interests in August, 1926, and one of the Pittsburgh banks was closed in October of that year. Their loss was offset by the opening of one new bank at Gary, Ind., and another at San Francisco, Cal. During the second half of 1926 the surplus and profits of all banks combined increased 0.4 per cent; deposits 0.1 per cent; and total resources 0.4 per cent. *U. S. Monthly Labor Review*, March, 1927. p. 43.

#### **Flood Will Stimulate Southern Business**

The effects of the floods are thus summarized: 1. About 3,000,000 acres are or have been under water. 2. Approximately 300,000 people have been driven from their homes, the majority being colored plantation laborers. 3. At least \$10,000,000 will be sent into the flood zones, providing the ready money needed for necessities, and in large measure for reconstruction. 4. The men who have been engaged in the work of strengthening the levees have been paid \$2.25 a day as against the prevailing wage of \$1.25 paid for farm help throughout this section. 5. Before the crevasse was cut at Poydras, provision had been made by responsible interests in New Orleans and by the state to pay for all damages resulting. 6. Crop losses will not be as great as first reports have indicated. 7. The decrease in cotton acreage will increase cotton prices and benefit all the cotton growing states. 8. Sugar planters in the flooded parishes of

Louisiana will be hard hit, but in general there is not likely to be much distress among the land owners. 9. Losses by companies holding instalment paper will not be greatly increased as instalment purchasers among those afflicted are not many. 10. Levee reconstruction work will start immediately and this will provide work for all the surplus plantation labor, at wages nearly twice as big as they normally receive. *Dartnell Service Letter*, May 14, 1927, 2 pages.

#### **Some Economic Aspects of the Steel Industry**

The President of the Bethlehem Steel Corporation points out that there are four classes of people who are affected by the condition of an industry: (1) the employees, (2) the customers, (3) the investors in securities and (4) the general public.

He points out that wages in the Bethlehem Steel Corporation have increased 108 per cent in 13 years and that hourly earnings have increased nearly 200 per cent. Meanwhile, the average weekly wages paid in the steel industry exceeded those paid in 20 major manufacturing industries, and are approximately 30 per cent above the average of the entire group.

One of the most important factors has been the increased purchasing power of our population and I take it to be fundamental that the continuance of this general prosperity depends upon the maintenance of this purchasing power and that any increase in the purchasing power of various groups, especially those whose incomes are now below the average will do much to stimulate further general trade

activity. The last three years has conclusively demonstrated that good times and high wages are twin brothers. By Eugene G. Grace. *Address before the Cleveland Chamber of Commerce*, April 14, 1927, 20 pages.

### The Farm Surplus Problem

Prosperity, to be permanent, must be fundamentally sound; to be sound, it must be all-pervasive and all-embracing. The sun must shine over all parts and all classes of the country, on farm and factory alike.

Looking at the situation from the farmer's viewpoint, it seems that in many instances he is, by force of circumstances outside of his control, compelled to sell his produce in a free, highly competitive, and therefore low-price market; he buys in a closed, protected, and therefore high-price market.

Unfortunately for the agricultural sur-

plus producer and exporter, a creditor nation must be prepared to import more than it exports. Thus, from now on, in matters of international trade, the emphasis is apt to shift from exporting to importing, and agricultural exports are beginning to feel the effect of that shift.

Any attempt on the part of our government, or of any other organization, to relieve the present difficulties of our surplus-producing agriculture through price control or any other artificial method, is bound to react upon the world price of the exported commodities and thus to become the object of world-wide interest.

The farm surplus problem is inextricably linked up with the very fundamentals of our economic life, which are beyond the grasp of most and the control of almost all of us. This realization will make the farmer more patient and the rest of us more tolerant and sympathetic toward the problem itself. By Erich W. Zimmerman. *Barron's*, April 25, 1927, 1½ pages.

## Employment: Classification, Selection, Tests, Turnover

### Handling Men

The training and Educational Division of the Philadelphia Rapid Transit Company has issued a course (No. C-2) entitled, "Handling Men." The lessons issued cover such subjects as: The Problem of Human Relationships, The Supervisor's Job, Stimulating Subordinates, Control and Discipline, Force of Habit, Training Insures Careful Work, Self-Development, Difficulties with Subordinates, and Co-operation. By Eugene Bengé. *Philadelphia Rapid Transit Company*. 10 pamphlets.

### Measuring Employment in a Municipality

Relief of the unemployed is merely a temporary expedient and often aggravates the condition by attracting the idle to the city. The present approach to the problems of unemployment received its impe-

tus from the work of the Committee on the Business Cycle, which was to carry forward the work of the President's Conference on Unemployment in 1921. The first phase of this conference was to deal with relief measures, and the second was an effort to analyze the causes of depression and to suggest ways and means of avoiding its recurrence. Some of these measures are described.

The first step in the stabilization of business in a community is to develop adequate measurements of trends in business activity, including statistics of employment. By Mary van Kleeck. *National Municipal Review*, May, 1927, p. 317-6.

### Few Voluntary Quits from Industry

Since 1924 the volume of business has increased, but voluntary quits have moved sidewise with little variation. The proportion of voluntary quits should continue

small. There are no signs on the business horizon that should cause industrial conditions to rapidly attract workers from one point to another. *Babson's Reports*, May 10, 1927, 3/4 page.

### We Stick by Our Workers—and They Stick by Us

The Leeds and Northrup plan of stabilization includes the following steps:

1. Study and experiment to perfect business forecasting.
2. Apply extra sales energy when sales are most needed.

3. Study new outlets, to get broader distribution.

4. Maintain intensive research for product improvement.

5. Make financial provision for manufacturing standard products to stock.

6. Adjust hours to business volume, to prevent unnecessary hiring.

7. If, in spite of all this, lay-offs become necessary, be prepared with an emergency fund to carry regular employees till business picks up. By Charles S. Redding. *Factory*, May, 1927, p. 876:4.

### Employee Service: Hygiene, Recreation, Lunch Rooms, Stores

#### Women Workers and Industrial Poisons

The change in industrial solvents, their wider introduction into the manufacture of rubber goods, pottery, millinery, printing, dry cleansing, varnish and allied industries, the increasing use of less familiar industrial poisons, and the increasing number of women employed in the poisonous trades combine to create a dangerous situation which is difficult to control. The three chief poisons mentioned are lead, benzol, and wood alcohol. Among American lead-using industries potteries are the worst offenders. The percentage of lead-poisoned women potters in 1920 was 22.5 over against 5.8 for men. In printing and type founding the risk of lead poisoning has been decreased thanks to improved manufacturing conditions. On the other hand the danger from lead poisoning is still large in the production of litho-transfer paper. On the whole, however, the lead trades are less dangerous for women than they were eight years ago. In the benzol-using industries the chief cases of poisoning are reported from rubber goods and sanitary can factories. The author states that out of 52 cases of severe benzol poisoning 40 were women, and out of 36 deaths from benzol fumes 28 were of women. Cases of mild benzol poisoning from the use of benzol rubber cement are reported among women workers in the

wholesale millinery trade. The use of wood alcohol as a solvent for shellac in the manufacture of lead pencils, picture frames, and Panama hats, and as a solvent for dyes in the artificial flower industry exposes women workers in these trades to inflammation of the eyelids and the skin and to more or less complete blindness. By Alice Hamilton. *U. S. Women's Bureau, Bulletin, No. 57*, 1926. 5 pages.

#### Preventing Man Failure in Public Utilities

Man failure denotes employee injury through preventable accident. Among the chief causes of accidents are: poor judgment on the part of the injured; violation of rules in effect; lack of proper instruction or supervision of work methods; lack of complete concentration on the work in hand; relaxed attention to the mechanical routine of the job in hand. The preliminary requisite for teaching lessons of accident prevention is to analyze past experiences and mistakes made. By C. J. Rutland. *N. E. L. A. Bulletin*, May, 1927. p. 299:2.

#### Labor Gets the Milk Habit

The Wisconsin Manufacturers' Association has promoted a successful campaign as part of the milk for health movement. A number of large factories have adopted



milk service for their employees during work hours. Distribution is made at 9 A. M., noon and 3 P. M., and one man per factory department is usually detailed to collect milk tickets for punching and distribute the milk. Half pints cost 3 cents and full pints 5 cents. The tickets are is-

sued at \$1 apiece and allow 25 three and 25 one cent punches. Employers claim that this practical idea in personnel service has met the workers' approval while improving their health and efficiency. By E. R. McIntyre. *Management*, May, 1927, p. 56:4.

### **Labor Relations: *Collective Bargaining, Employee Representation, Arbitration***

#### **The Coal Miners' Proposal**

A communication from John L. Lewis, President of the United Mine Workers, states how the co-operative plan for improving conditions in the bituminous industry was received by the joint conference at Miami. The plan as stated by Mr. Lewis is as follows: 1. Resolved, that this conference recognize the inadequacy of wage reductions to effect commercial stability in the bituminous industry and agree that the contract to become effective April 1, 1927, will be for a period of two years. 2. It is agreed that the present joint conference of operators and miners of the Central Competitive Field shall continue in existence during the life of the aforesaid agreement and shall meet from time to time as may be mutually decided. The work and duties of this agency shall be as follows:

a. To strive for conditions in the industry which will give a proper return to capital invested therein and will advance the living standards of those employed.

b. To take steps to lessen fatalities and injuries.

c. To promote a sales policy which will destroy the present practice of selling coal below actual cost of production.

d. To work for a scientific adjustment of coal freight rates and the elimination of the many discriminatory rates now maintained by the Interstate Commerce Commission.

e. To protect the industry by opposing adverse legislation.

f. To employ such legal counsel, engineers and advisors, as may be required for the competent execution of this program.

It is hoped that a similar statement on the part of the operators will be forwarded to the Federal Council of Churches. *Information Service*, May 14, 1927.

### **Benefit Systems and Incentives: *Group Insurance, Pensions, Vacations, Profit Sharing, Wage Plans, Suggestions, Stock Ownership***

#### **Some Fundamentals of Sound Wage Payment**

A survey made by a research organization on wage payment methods in industry brings out the fact that in the forty industries investigated an average of 61 per cent of employees are paid on a straight time basis, 31 per cent on piece rates, and 8 per cent on premium or bonus. In automotive plants, on the other hand, 65 per cent of employees are on bonus payment, 15 per cent on piece rate and only 17 per

cent on straight time. Partly because of this scientific method of paying wages, man-hour productivity in the automotive industries has risen 200 per cent within the past ten years. The seven principles enumerated, on which to base a sound, balanced and practical wage payment plan, are: Wage incentives should be developed out of a study of psychological and economic factors. The standard for employee effort should be carefully set by time and motion studies, and should not be changed



without the full consent of both employer and employee representatives. Base wage rates should be guaranteed. Group incentives should be developed to insure co-operation. Wage incentive plans should be simple and flexible. Employees should be educated to fully understand the wage payment method adopted. Management should have plant conditions and methods standardized so as to eliminate any factors hindering employees to produce their best. By John Sherman. *Trade Winds*, April, 1927, p. 18:4.

#### **Profit-Sharing Plan a Happy Surprise**

The Fifth Avenue Coach Company adopted a profit-sharing plan on March 29, 1927. Its 1,850 present employees will share in the benefits, provided they are still in service on December 31, 1927. Persons employed hereafter and still in service on

the last day of the year will also participate but will not become eligible under the plan until they have served for three months. Ten per cent are set aside for these men. Officers, executives and heads of departments will not participate in this amount. The details of the plan have not yet been worked out, but will be announced about April 19th. *Motor Coach*, April, 1927, p. 3:2.

#### **Boston Edison Gold Button Club Meets**

On February 5, 1927, the company gave its sixth annual banquet to its Gold Button Club. Twenty-six new members were formally received into the club, having earned their twenty-year gold service buttons during 1926. The banquet was attended by 246 out of the 300 members. *The National Electric Light Association Bulletin*, April, 1927, p. 215.

### **Training and Education: Schools, Libraries, Apprenticeship, Employee Publications, Bulletin Boards**

#### **The Economic Value of Apprentices**

The director of Hospital and Employment Departments of the R. K. LeBlond Machine Tool Co., says that he heard the manager of a large plant say, "If there is not more done to train boys, you will see the day when machinists will command the wages that superintendents now receive." Four years ago the LeBlond Company established the practice of teaching boys in the shops on actual work, instead of a rather elaborate class room system and are getting better results. By Sanford De Hart. *Industrial Management*, April, 1927, p. 227:1.

#### **Typical Foremanship Programs and Topics**

This document is a compilation of practices mainly from companies conducting their own courses. Typical programs outlined are those of a company manufacturing building material, electrical equipment, brass goods, agricultural implements, paper

products, packing house, railroad shop and the courses of some mining companies.

The average length of meetings is one hour and 28 minutes. Courses are conducted 25 per cent by various executives, 20 per cent by works managers, 20 per cent by superintendents, 10 per cent by general managers, 10 per cent by industrial relations managers, 10 per cent by supervisors of training, and 5 per cent by comptrollers. The Department of Manufacture, *Chamber of Commerce of the United States*, Washington, D. C., 1926-27, 15 pages.

#### **Report of Foremanship Conferences for Foremen of the Great Western Sugar Company**

This report was prepared to explain the plan that was used in establishing cooperative foremanship classes on an evening school basis in various centers. It summarizes the twelve meetings of twelve conference groups.

Industrial training departments in high schools can be used as a nucleus around which to build a permanent evening industrial education program. The Industrial Arts teachers will form a source of supply of evening instructors if the work is conducted on the discussion plan. Experts

from the plant must be used to teach technical subjects. The teacher training program of the State Board of Vocational Education will supply the necessary instructor training courses. Issued by State Board for Vocational Education. *Industrial Education Division*. Fort Collins, Colorado. 198 pages.

## BUYING, RECEIVING, STORING, SHIPPING

### Progress Is Made in Group Buying

Group buying by retailers is making sound and progressive headway and is now working out satisfactorily in its relations with the wholesale trades. In several respects the group system has worked out especially well: one is in the matter of reducing markdowns. Another is in the matter of style; too often the selections made by the individual buyer reflects his or her own likes and dislikes. Selections

made by a committee of group buyers are more likely to be well rounded and to possess the selling qualities of style.

The extent of the purchases made by the groups is very large and includes a wide variety of merchandise, but particularly ready-to-wear. Moreover, the styles selected are frequently changed so that there is stimulated activity not only in the wholesale market, but for the retailer as well. *The New York Times*, Feb. 13, 1927.

## MARKETING MANAGEMENT

### The Trade-In Problem

A summary is given of the main points of policies now in use by two hundred and fifty leading concerns. The fact is revealed that concerns are framing a definite set of policies to apply on all trade-in deals. As a rule, where the salesman is permitted to make whatever adjustment he sees fit, results are unsatisfactory. The American Multigraph Company has a ruling that no allowances are made for the products of other manufacturers toward the purchase of new Multigraph equipment. Policies of a number of other concerns are given. By Bruce Crowell. *Sales Management*, April 16, 1927, p. 702:6.

### Hawaii's Place in the Sales Plan

The greatest markets of the world lie just beyond Hawaii. Honolulu is destined to become the great distributing point not only for Hawaii, but for the Philippines and the Orient. There is plenty of money

available in the islands for development. All that is lacking is men, especially executives—men who can get things done and show results. And all that is needed is a good product, a good merchandising plan and a willingness to help your distributor push your product there. Advertising is essential and the cost is comparatively low. By J. C. Aspley. *Sales Management*, April 30, 1927, p. 799:5.

### Women's 6-Hour Day Urged

The modern woman who keeps house and goes to business as well was cited as an important factor in the movement to win a five-day week and a shorter working day, especially for women, by Mrs. Helen Gilson-Cooper, former department store executive, at the thirty-sixth annual meeting and luncheon of the Consumer's League of New York.

She urged women to seek hours of from 10 a. m. to 4 p. m. for department store

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work and proposed a plan for forcing stores to adopt those hours. This plan was to start immediately to get the consent of at least one store, on the theory that the others would quickly fall in line.

Health Commissioner Louis I. Harris, speaking in advocacy of the five-day week said he was afraid to talk about it five years ago. "People were not intended by Divine Providence to work entirely," he declared. "They were meant to live, too." *New York Times*, April 20, 1927.

### Hand to Mouth Buying

This article is an appraisal of current buying practice. It analyzes the effect of hand to mouth buying on manufacturers and points out that such a plan of merchandise control depends for success upon the accuracy of sales budgets or estimates. Part of the solution lies in bringing closer some of the links in the chain of distribution, developing working agreements among those who ordinarily trade, so that the estimates of consumption may be passed along the line. This is done to some extent in certain fields today, where, commodities having been agreed upon, estimates of consumption are given, the actual orders to come later. In this case no sale is actually made until the orders are placed, but the producer and distributor are not left entirely on their own judgment, but are given an estimate on which to work.

If such estimates are possible in some fields, are they not capable of further extension? Perhaps the eventual step lies in an integration of production and sales schedules, all the way from producer to retailer. By William O. Jelleme. *Bulletin of the Taylor Society*, February, 1927, p. 294:9.

### Influence of Ten-Payment Plan Upon Prestige of Store

This document outlines the effect of the ten-payment plan on the prestige of dealers as indicated by the attitude of customers to those adopting it. It was conducted to develop opinions of clothing consumers

relative to the possible influence of the plan upon the store's prestige. The conclusions reached are as follows:

1. About three individuals in ten believe the adoption of the Ten-Payment-Plan reduces the prestige of the store.

2. The customers using the plan believe it does not harm the store's prestige.

3. Cash customers are more favorably inclined towards the plan than are charge account customers.

4. Many of the comments of individuals who consider the use of the plan as detrimental to store's prestige indicate a rather widespread lack of understanding as to the nature of the plan.

5. Confusion of the plan with other forms of credit could probably be partially eliminated through educational advertising. By H. D. Comer. *Special Bulletin of the Bureau of Business Research, College of Commerce and Journalism, The Ohio State University*, April, 1927, 12 pages.

### Waste in Selling

Great progress has been made in the last few years by various trade associations, government and industrial organizations in fighting waste in industry, but little attention has been paid to waste in selling. One of the greatest causes for the high cost of selling is that buyers have no compunction about wasting other salesmen's time, although their pocketbooks are hurt when their own salesmen are forced to lose time. Costs mount when the salesman has to wait to see the buyer or to call again when he finds he has called outside of buying hours. The White Company of Cleveland is fighting this bad habit by having a mature, intelligent man in the reception room. Every visitor receives a cordial welcome and is dispatched quickly to the man he wants to see. Besides saving considerable time and money by this policy the White Company has earned the good-will of all those who come in contact with the organization. By John Garth. *Sales Management*, April 30, 1927, p. 830:3.

### How Sales-Cost Accounting Aids the Sales Manager

Because of the nature of sales work the average sales executive has had little experience with the technique of sales-expense control. The fundamentals of controlling sales expenses are given in brief form, and a definition of what constitutes selling expense.

The importance of properly distributing

selling overhead to sales territories cannot be over-estimated. To determine territorial profit and loss, all direct expense incurred in the territory should be definitely charged to that district, while the so-called indirect expense items should be allocated. The procedure for determining the "profit-point" for each selling unit is analyzed. By J. R. Hilgert. *Kardex Institute General Business Advice*, May 12, 1927.

### Sales Promotion: Letters, House Organs, Advertising

#### The Use of Automobiles in Selling

Automobile transportation for salesmen is becoming increasingly desirable. With hand-to-mouth buying practices prevailing, field representatives are working more closely with their customers, and are encouraging this method of buying rather than otherwise. Other points covered are: Unfavorable aspects of automobile transportation; Ownership and remuneration plans; Insurance and accidents. *Kardex Institute*, May 9, 1927, 2 pages.

#### Sales Control Through Self-Control

The greatest cause of loss by a sales organization which has ability and capital arises through lack of self-control. For instance, a competitor launches a new product and instantly all is bustle and confusion, only to discover in a few short months that both the rival product and its hastily launched rival are as bitter fruit. Proper sales control of sales in the first place might well have anticipated the competitive added line, although it is too much to expect that any maker can bring out all the new lines.

It requires self-control of a high order to prevent oneself from being stampeded into sales methods advocated by men within the organization in whose judgment one has great confidence. Sales fear is contagious, as well as enthusiasm, either one of which will crush the man who remains in its path, and prevent the passing of a sane judgment. Several cases are cited exemplifying self-control in selling. By J. J. Witherspoon. *Printers' Ink Monthly*, May, 1927, p. 25:5.

#### Cashing In After the Sales Convention

It is possible, by planning in advance, for a sales manager to take advantage of everything that transpires during the convention meetings. The author's own plan is to divide all topics into four groups—those requiring immediate telegrams, those requiring immediate letters, those to be handled immediately upon his return to the office and those that can be delayed until the rush is over. Instead of sending out bulletins at the close of the convention, he calls a series of short, snappy conferences. This plan checks up on the salesman's weak points, acquaints the trade with new policies, handles the replies to the salesmen's questions raised during the convention, and dispatches a large volume of correspondence. By J. J. Witherspoon. *Printers' Ink Monthly*, April, 1927, p. 35:3.

#### We Charged Our Salesmen for a Special Demonstration Portfolio

In order to make the salesmen feel that the company's new sales portfolio was valuable, had cost the firm a lot of money, and that it would mean a great deal to them to use it, a price of ten dollars was charged for each portfolio—the actual cash price which every salesman had to pay out of his own pocket. An agreement is made at the time of sale that the portfolio may be returned in ten days if the salesman does not want to keep it. In this way the portfolio must succeed entirely on its value to the salesman in getting more business. The salesmen are not obliged to purchase the

portfolio, it is sold on its merits alone and on its use in increasing sales. By John Hall Woods. *Sales Management*, May 14, 1927, p. 921:2.

#### 24 Actual Examples of How Advertising Cuts Selling Costs and Prices to Consumers

For forty years the Waterman Company has advertised consistently, increasing their appropriation each year until today they are spending about a half-million annually.

The first case of grape juice made by a well-known manufacturer sold to a dealer for \$10, when grapes cost only \$10 a ton. Today, although grapes are \$50 and \$60 a ton, the price of a case of grape juice has been brought down to between \$4 and \$5. The experiences of the Mavis Face Powder Company, the Anderson Lumber Company, a well-known watchmaker, a camera company, a tobacco manufacturer, and 17 other concerns in various lines of business are described. By Martin L. Pierce. *Marketing*, April 30, 1927, p. 359:3.

#### Salesmen: Selection, Training, Compensation

##### Our Sales Training Methods Put Us On the Map

The Coleman Lamp Company is more than a quarter century old, but during their first eleven years in business they scarcely made a cent. Then they began training their field men to educate the dealers. Every salesman who applies for a field position is given a six weeks' course, four weeks in the factory and two on the road. He is given an examination which bears all the earmarks of a college "final." Students are not given a "master's degree" unless they pass the "dead line," and 75 to 80 per cent is considered a passing grade. The salesman is given a bonus for every photograph he sends of a window display put in by himself. By G. M. Tilford. *Sales Management*, May 14, 1927, p. 903:3.

placed on the roll of contingents, and given two or three days' work a week.

The LaSalle & Koch Store of Toledo hires 1,200 extra sales and service people for their semi-annual sales, and from this list they build up a capable and experienced sales force of regular employees. If some of these people are misfits, the matter is discussed courteously and frankly with them.

The W. L. Milner & Company of Toledo tries to employ only people who will fit into the store's general personality and policy, but if it is necessary to eliminate any employees because of inefficiency they try to discover why these people were originally employed. Under what circumstances did they come into the store? Why were they given a place on the staff? In most cases it is possible for the employment department to let such people out of the store with a friendly feeling for it. *Store Operation*, May, 1927, p. 9:2.

##### Good Will of Dismissed Employees and Ineligible Applicants

The Kresge Department Store of Newark never dismisses any employee without frankly telling him the reason why and giving him helpful suggestions about his next position. All employees scheduled for dismissal come to the office of the personnel director for a friendly interview. No employee is let out of the organization until all other places in it are exhausted, and in many cases the employees who must be taken from the full-time payroll are

##### The Drawing Account Evil

Alarmed at the losses from advancing salesmen money for expenses during the tryout period, one sales manager puts up this proposition to the salesman: He will engage him for ten weeks; the first week he is to draw \$50—the second week \$45—the third week \$40 and so on for ten weeks. The salesman also signs an agreement to begin repaying the advances at the rate of \$5 the eleventh week, \$10 the



twelfth week, and so on, until repaid. The advantages of this plan are pointed out. *Sales Management*, March 19, 1927, p. 534:2.

### Commissions on Mail Orders

Ten sales managers outline their reasons for and against payment of commissions to salesmen on orders which come in by mail. These are summed up as follows: Paying commissions on mail orders compensates the salesman for missionary work; encourages the customer to mail order demand items which pay small profits and leaves the salesman free to concentrate on profitable specialties; reimburses the salesman for losses of commissions on sales which are not delivered through some fault of the house; stimulates business in off seasons by encouraging customers to buy fill-in orders; speeds up business by eliminating the practice of customers in holding orders until the arrival of salesmen.

No commissions on mail orders encourages the salesmen to sell large orders on each call; gives the salesman an incentive to work harder to close business on the spot; stimulates greater activity on the part of salesmen who are inclined to neglect frequent calls for replacement; slows up sales because salesmen encourage dealers to hold orders until calls are made; forces salesmen to "high-pressure" buyers into overloading and creates a tendency to increase returned goods. *Sales Management*, March 19, 1927, p. 508:5.

### Teach Salesmen to Stand by Their Guns When Under Fire

One of the greatest wastes of modern business could be prevented if salesmen were persuaded to sell the house policy at the point of sale. If the salesman would convince the buyer that a contract means exactly what it says, he would save a lot of trouble later on both for himself and for his house. It would also help if it were known that competing salesmen and their houses were actually governed by the code of ethics which should rule in every business, and that the welcher would get no better treatment from other houses than one's own. This general policy would be far better than saying that the customer is always right, no matter whether he is fair or not. By William H. Zinsser. *Printers' Ink*, Feb. 24, 1927, p. 141:2.

### Policies Affecting Competition

Ten rules are given which outstandingly successful merchants have followed concerning competition. 1. Plan how to meet competition. 2. Keep calm and impersonal toward competitors. 3. Be a good sport. 4. Maintain your prices at the current trade level. 5. Concentrate on your best selling line. 6. Be cautious in making radical moves. 7. Find an original way of making money. 8. Check up on competition. 9. Speak well of your competitor or hold your tongue. 10. Freely cooperate with your competitor in forming beneficial customer policies. By H. R. Simpson. *The Manufacturing Jeweller*, Feb. 17, 1927, p. 18:2.

## Books Received

**The Cost of Living in New York City, 1926.** National Industrial Conference Board, New York, 1926. 129 pages. \$2.00.

**Harvard Business Reports. Volume 2.** Compiled by Graduate School of Business Administration, Harvard University. A. W. Shaw, Chicago, 1926. 553 pages.

**Employment Statistics For the United States.** Edited by Ralph G. Hurlin and William A. Berridge. Russell Sage Foundation, New York, 1926. 204 pages. \$2.50.

**Business and the Church.** Edited by Jerome Davis. Century Company, New York, 1926. 383 pages. \$2.50.



**Correspondence Schools, Lyceums, Chautauquas.** By John S. Noffsinger. Macmillan, New York, 1926. 145 pages. \$1.50.

**The Cost of Living in the United States, 1914-1926.** National Industrial Conference Board, New York, 1926. 233 pages. \$2.50.

**Food Costs and City Consumers.** By Charles Enos Artman, Ph. D. Columbia, New York, 1926. 165 pages. \$2.25.

**Principles of Labor Legislation.** By John R. Commons and John B. Andrews. Harper & Bros., New York, 1916, 1920, 1927 (revised edition). 591 pages. \$3.00.

## Survey of Books for Executives

**Political and Industrial Democracy, 1776-1926.** By W. Jett Lauck. Funk & Wagnalls Co., New York, 1926. 374 pages. \$2.00.

Starting from the assumption that all labor policies are to be judged according to the closeness of their approximation to industrial democracy, Professor Lauck proceeds to formulate his own ideas of this democracy and then attempts to fit the industrial relations practices of several corporations into those ideas. The resulting volume has about the value that might be expected in view of the original assumption and the author's method of procedure.

The growth of political democracy is traced from the American and French revolutions, and the development of modern industry is shown against this historical background. In the early chapters of the book, Professor Lauck gives much attention to industrial conditions prevailing during the World War and the post-War period, supplementing his own observations with page after page quoted from speeches, reports and resolutions.

He thus lays the groundwork for his chapter on "The Fundamentals of Industrial Democracy." Prominent among these fundamentals are the unionization of labor, joint machinery for the adjustment of grievances and the consideration of wages, and the arbitration of disputes between employers and employees. As to the importance of unionism in his scheme of industrial democracy, Mr. Lauck has no doubts whatsoever. "Membership of employees in labor unions is essential to proper

industrial citizenship," he announces; and later adds: "Shop committees, industrial councils and co-operative schemes will go along most effectively if placed on a trade union basis." \* \* \* "It cannot be denied that shop committees and more extensive systems of employee representation are of fundamental importance, but they should be co-ordinated with regular unions." \* \* \* "Co-operative relations between employers and employees can never be realized permanently by shop committees or systems of employee representation unless the labor union is adopted as the fundamental basis of procedure."

Having prepared his Procrustean bed, Professor Lauck sternly seizes such hapless industrial relations plans as he can get his hands upon and proceeds to fit them to it. In this process he summarizes the plans of somewhat more than a score of corporations with policies as diverse as those of the Columbia Conserve Company and the Ford Motor Company. It is easy to imagine the astonishment of Henry Ford when he found his labor policies included in a chapter which bears the heading: "Outstanding and Representative Attempts Towards Employee Representation and Industrial Democracy."

The results of his analysis must have been disappointing to Mr. Lauck. One by one the plans fall short of the requirements which he has set up. "No comprehensive plan," he sadly admits, "except the unusual 'Golden Rule' procedure of the A. Nash Company, Inc., completely accepts the labor union as the basis of collective bargaining."

A little later he becomes a bit more encouraged and finds that "five plans stand out above all others as indicating a sincerity of purpose and as offering a basis for future constructive action. \* \* \* \* These plans are those of Wm. S. Filene Sons of Boston, the Dutchess Bleacheries of Wappingers Falls, New York, the Denison Manufacturing Company, of Massachusetts, the A. Nash Company, of Cincinnati, and the Mitten, or Philadelphia Rapid Transit Company plan."

The Baltimore and Ohio plan almost gets into this canonized list, but not quite. Professor Lauck goes only so far as to pair it with that of the Southern Railway as "two other plans" which "also indicate capacity for real democratic growth."

Most of the representation plans of the works council type are consigned to outer darkness. So difficult is Professor Lauck to please that the reader at first is tempted to fear that there is no genuinely democratic labor policy in the whole range of American industry. But no; there is one. With a joyful shout Mr. Lauck discovers the plan of the Philadelphia Rapid Transit Company. Here ends the search for the pure gold of industrial democracy.

"Without further citation of illustrations either of what it is or what other industries might accomplish under its provisions, it is apparent that the acceptance of the principles and methods of the Mitten plan by labor unions and employers, with the recognition of labor unions by employers as a starting point, would stimulate the rapid and permanent development of industrial democracy in a form which would properly supplement our political democracy, and make assured the ultimate realization of our democratic hopes and aspirations."

As may be gathered from what has been said thus far, Mr. Lauck's book is devoted largely to plans of employee representation and other methods of joint negotiation between employers and employees. He finds time, however, to discuss several other forms of labor policy. For stock participation he has few words of praise unless it conforms to his definition: "The

most practical method for the purchase of stock by employees is to buy stock collectively and hold it collectively through trustees from (1) an assignment of a certain portion of their earnings, (2) from the proceeds of their participation in increased economies and efficiency under co-operative arrangements with management, or (3) from their participation in net profits through agreement with management."

Further on he elaborates this by saying that "It is an irresistible conclusion from experience that the only practical hope of a complete realization of industrial democracy or the ownership and control of industrial undertakings by employees, lies in the collective purchase of common stock. Individual stock purchase plans have been a failure. The individual employee does not retain his stock, and the common stock of industrial corporations purchased by employees does not remain in the hands of employees actually at work." One is tempted to inquire from precisely what stock subscription plans Mr. Lauck collected his information.

The book is not wholly lacking in interest, as an exposition of one variety of labor philosophy. Apparently it was written for popular consumption, and it has a certain attractiveness of style. But it is fortunate for all concerned that the relations between employers and employees in American industry are not in as bad a way as they are made to appear in "Political and Industrial Democracy."

E. S. COWDRICK

**Libraries and Adult Education.** A study by The American Library Association. Macmillan Company, New York, 1926. 278 pages. \$2.50.

This volume covers the findings of a commission on the Library and Adult Education appointed by the American Library Association. While intended primarily for librarians it will be of general interest to all who are concerned in the rapidly growing movement for making

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education a life long process rather than a matter of the first twenty years.

It is granted that adult education must be voluntary, but librarians and those responsible for libraries can and should do much to awaken and stimulate the desire for greater knowledge among those beyond school age.

Executives and business and industrial librarians will find very interesting the chapters on methods already in operation in industry. Reaching older boys and girls out of school; Industrial workers; University extension; Adult classes and Part-time Schools; Voluntary study, reading and discussion groups; and The Special Library.

The Special Library chapter describes the educational work being carried on through their libraries by many large organizations such as The Metropolitan Life Insurance Company, The National Cash Register Company, Dennison Manufacturing Company, People's Gas Light and Coke Company of Chicago, and the W. T. Grant Company of New York City.

The appendix contains an excellent chapter on Reading Courses and their preparation and a very full list of references on Adult Education in general.

FLORENCE A. GRANT, *Librarian,*  
*The Fleischmann Company.*

**The Branch Banking Question.** By Charles Wallace Collins. Macmillan, New York, 1926. 176 pages. \$1.75.

This volume brings together in readable form material on the various aspects of the branch banking question in the United States on which there is so much recent discussion. It covers the development of branch banking in the United States, its legal basis, the question of statutory branches of national banks, additional offices of national banks, the case of the First National Bank in St. Louis versus Missouri, branch banking under the Federal Reserve System and discusses some recent proposed Federal legislation.

**An Outline of the Organization and Operation of the Employees' Representative System of the Government Railways of Japan.** Published by Labor Section, Department of Railways, Government of Japan, 1926. 43 pages.

The Government railways of Japan adopted an employees' representation system in 1920. The plan is very similar to plans in effect on railways in the United States and took into consideration plans in effect also on German railways. The report covers besides details of the plan itself. There are sections devoted to the disposal of matters passed at the employees' committee meetings, the results of employees' committee works including the chief proposals adopted and sections devoted to regulations governing the employees' committee regulation covering the election of same and regulations covering the proceedings of the meetings of committees.

**Principles of Organization Applied to Modern Retailing.** By Paul M. Mazur, with the assistance of Myron S. Silbert. Harper & Bros., New York, 1927. 331 pages. \$5.00.

Department stores, like Topsy, have just grown, carrying with them in their development in many cases the simple organization structures with which they started. In some instances, these have been adorned with the "barnacles" of family relationships and favored friends, all of which has resulted in organizations to fit individuals quite out of keeping with the machinery necessary to obtain results in an era of the keenest competition. Progressive merchants have been fully aware of this condition for some time and efforts have been made here and there to bring about changes. What has been needed is a thorough-going study of the whole problem by a trained specialist, unhampered by traditions, who would "hew to the line let the chips fall where they may."

The National Retail Dry Goods Association has been very fortunate in securing

Mr. Paul M. Mazur to do this piece of work and the results reported in his book will constitute a "point of departure" in store organization procedure for some time to come. Mr. Mazur has dogmatically set up an ideal department store organization and has effectively met the criticisms of him who may claim that his store is "different" and therefore requires special consideration, by admitting the propriety of such a qualification, but stating that an ideal is necessary even though it may never be attained. He writes, "That is really what an ideal organization is, a standard to be gradually approached rather than a mold into which all kinds of human material should be poured to take at once a rigid form."

There are five parts to the book. The first part constitutes a functional analysis of the department store; the second contains an ideal plan for the proper working of these functions; the third includes a number of cases, with no "answers" or discussions, illustrating the operation of the ideal plan; the fourth comprises a "popular" discussion of the technique employed in the study; the fifth consists of a complete, detailed and valuable check-list of the functions found in the thirteen stores studied, the number of stores in which each function was found and the agency responsible for each function. This plan of presentation of the material necessitates some repetition, which, however, is not tiresome to the reader and may prove a clever training device in that it will "hammer home" to the store executive the points which the author makes.

In his ideal organization, Mr. Mazur uses the four organization units of Merchandise, Publicity, Store Management and Controlling, each headed by division managers of equal authority responsible to a general manager. He does not promise that this will produce a smooth-running organization and will eliminate the conflicts frequently found in stores. "Conflict is inherent in the very nature of department store operation" writes Mr. Mazur. "There are four distinct points of view in pub-

licity, service, control and merchandising. The policies of service are bound to conflict in some cases with control and the protection of net profit. Publicity and merchandise may easily have completely distinct and antagonistic interests. \* \* \* The wise, active and constructive general management will eliminate conflict by well-advised administration and not by the ostrich process of burying its head through the elimination of the verbal expression of the existing conflict."

Mr. Mazur pays his respects in no uncertain terms to those organizations in which a member of the firm because of his pet interest in a particular operating unit, causes "the tail to wag the dog." The author would construct an administrative table at which "McGregor's chair" is fastened to the floor. The conception of the responsibilities of general management is clearly and logically outlined. Each of the four divisions acts as a check on the others, and the functions of each should not include any which conflict. For example, the author writes, "The choice between maintaining service and limiting expenses must be constantly made; and if prices decline the choice will require increasing attention. That choice is of fundamental importance to the business because upon service may depend good will and upon expense control may depend net profits. In delegating the settlement of an issue of such a nature to one operating division, the chief executive is delegating one of the most important functions of general management."

This states the case for one of the points in the ideal plan on which some store managers will not agree with Mr. Mazur, namely, taking expense control away from the store manager and giving it to the controller. The case is so clearly and logically stated in many places in the book that it is hard to find any argument against it, other than tradition and possible loss of prestige. With the opportunities which Mr. Mazur points out for the store manager, he should feel reconciled for the loss of what is probably the most trying and

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often time-consuming job in department store operation.

Likewise Mr. Mazur is going to relieve the "soulful" and "artistic" buyer and merchandise manager of the sordidness of statistics and again put the "paper" work where it belongs, on the shoulders of the controller. He has probably been doing it, gratuitously for some time, in those stores in which he has been unable to educate the buyers in the arithmetical intricacies of the budget.

Mr. Mazur calls attention to a very humorous paradox. The salespeople are theoretically under the store manager, but practically under the buyer. In the ideal plan, he tears up the dust-covered organization chart and makes the buyer a department manager in the full sense of the word by making him responsible for his sales force.

Another point of controversy, which is ably defended by Mr. Mazur's cold, logical organization philosophy of checks and balances, is the placing of the comparison office under the Publicity Division. This division then uses it to check up the Merchandise Division, preserve the truthfulness of its publicity and protect the good will of the store.

Store owners who have never "got around to writing up a set of store policies," although they have appreciated their importance will find Mr. Mazur has given them outlines on pages 41 to 45, which will reduce their labors to a minimum. Especial mention should be made of the many short, "meaty" summaries of functions, job qualifications and duties with which the book is replete. An example is the set of qualifications for a high-grade divisional merchandise manager on Page 87. The author cites:

1. Knowledge of merchandise.
2. Knowledge of markets.
3. Knowledge of styles.
4. Knowledge of statistical control.
5. Ability to inspire and direct.

In discussing the work of the controller on Page 240, the author presents a very serviceable principle of operation. The controller has a statistical function—the

preparation of statistics, records and reports and an actual control function—the actual use of these instruments in carrying out his major function—the protection of net profit.

Perhaps one of the most interesting contributions to the progress of the "craft" aside from those mentioned are the leads for further detailed research which the book suggests. Educational and research agencies will find that Mr. Mazur has given them some valuable and significant hints.

JAMES H. GREENE, *Director,*  
*Research Bureau for Retail Training,*  
*University of Pittsburgh.*

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**Automotive Giants of America.** By B. C. Forbes and O. D. Foster. B. C. Forbes Publishing Co., New York, 1926. 295 pages. \$2.50.

The story of the life and history of twenty of the most important automobile executives in America.

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**Elementary Economics.** By Fred Rogers Fairchild, Edgar Stevenson Furniss and Norman Sydney Buck. Macmillan, New York, 1926. Two volumes: Vol. I—568 pages; Vol. II—661 pages. \$3.00 per volume.

These two volumes comprise a new textbook for college students. They reflect more than any other general textbook current developments in economic thought and in many respects I regard it as the best two-volume work for general class-room purposes.

There is a greater recognition of the current thought about management in the book which reflects the fact that the development of the literature of management is affecting economic theory. This is illustrated by such topics as the Motive to Productive Effort, What Guides the Entrepreneurs?; chapters on the Form of the Business Unit, Large Scale Production and Combination, the Organization of Marketing, a chapter on the Business Cycle, a chapter on Risk, Insurance and Speculation, a chapter on Wage Problems, a chapter on Unemployment.



Part VIII on the Reform of the Economic System contains a chapter on Profit Sharing, Co-Partnership and Cooperation, but the book contains little or nothing on other types of incentives for workers. This section of the book indicates more of sociological viewpoint than the management viewpoint and in that respect is somewhat typical of previous texts on economics.

W. J. DONALD.

**Unemployment—The Gateway to a New Life.** By George W. Mullins. Longmans, Green & Co., Ltd. London Eng., 1926. 135 pages. \$2.50.

This is a study by a thoughtful manufacturer in England where unemployment has become chronic. His many years experience have led him to look upon most of its alleged causes as symptoms rather and, taking long views, he finds himself compelled to seek a new civilization in which the natural instincts of the worker will have freer play and greater satisfaction. In doing so, however, he keeps his feet on the ground. First he analyzes briefly a dozen of the theories about unemployment and finds them inadequate.

Then, passing from supposed causes, he puts forward the primary cause and his primary and secondary remedies. Over-industrialization he claims is at the root of the trouble and his chief remedy is the wedding of industry once more to the land by de-urbanizing industrial locations with the worker so situated and his time so planned that during a total working day—not necessarily a very short one—he will have been engaged *both* in production for sale and production for family and personal use; will have made economic gains from growing some of his own food. A small but positive contribution in this direction he claims will have great stabilizing influence.

Mr. Mullins shows that while study of the obvious phenomena of industrial irregularity in a country like the United States, still at the stage of immense and expanding domestic market and relatively small foreign trade, reveals cyclic and sea-

sonal variations and suggests partial remedies for these, it does not begin to meet the situation of countries like England. These, almost wholly industrialized and still growing in population, are no longer the general suppliers on a commanding scale to other lands which have recently learned—largely under war compulsions—to “make for themselves” and are inclined to persist in it, regardless of efficiency, behind tariff walls.

The author rightly deplores the constant depreciation in the United States under the term “dole” of the very worthy contributory unemployment insurance scheme which, despite abuses, saved the social situation in England at a critical period but he considers it no solution. Nevertheless he is seeking no Utopia. He urges that there be no neglect in any department of business and industry of all that scientific management and reconstruction can do in detail for them. He says “If socialism or any of its cousins be right, it will make all the difference *what* we socialize—if we merely socialize our present misery, failure and unemployment, where are we?” Neither is this writer expecting results unless the co-operative spirit between both sides of the pay-roll—which all British visitors note and envy here—springs up in England about the surly attitude of whose labor he says—“A man who should sell his goods with the indifference to his customer, which the average Trade Union shows to the interests of its members’ employers would be shortly without customers.” And again, “The Union leaders—and the employers’ leaders—must come to consider it a personal disgrace not to be able to make a mutually helpful peace with the other side. Failing this, employers and employed must come together direct—as they do in the United States—and rule the unions and the employers’ organizations out altogether.”

Still hopeful of a wise capitalism, neither radical nor reactionary, firmly wedded to the necessity for waste prevention, the self-renewal of capital and continuous contact with the land under the ablest manage-

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ment, regardless of what the form of the social order may become, this manufacturer's picture of an England that "might be" is well worth study. Even though we are, meanwhile, much more favorably situated, the Secretary of Agriculture's report that in a few years our farm population has decreased by over half a million and the Census estimate that 1940 will see a U. S. male population between 15 and 70 years of age of over eighty-nine millions give us pause.

Sooner or later we must face the same problems of economic unbalance of which chronic unemployment is the outcome and they should be wisely anticipated in the interests of all of the people.

JOHN CALDER, *Vice President,*  
*Wheelock-Bogue, Inc.*

**Principles of Selling by Mail.** By James Hamilton Picken, M. A. A. W. Shaw, Chicago, 1927. 366 pages. \$6.00.

One who expects to find in "Principles of Selling by Mail," by James Hamilton Picken, a complete treatise on the use of mail material in marketing goods is likely to be disappointed. The book is devoted primarily to business letterwriting and does not differ essentially from a dozen other texts that have such titles as "Business Correspondence," "Business Letterwriting," and the like. The author (possibly to escape the suspicion that his title was chosen for its sales value) gives the following explanation:

"There is an advantage in using the term 'selling by mail,' for two systems of terminology have long been competing in the letter-writing field. One makes the term 'business correspondence' general and includes under this term all forms of letters and direct-mail advertising, such as folders, circulars, booklets, catalogs, and the like. The other system makes the term 'direct-mail advertising' the more general, subsuming under it not only recognized direct advertising forms, such as printed letters, broadsides, catalogs, and the like, but also dictated mail. By avoiding this divergence in terminology we shall sim-

plify matters and escape confusing the reader. All efforts to make sales or to accomplish other business ends by direct-mail methods are what we mean by 'selling by mail.'

It seems questionable whether this definition is likely to receive general acceptance. However, it permits the author to include various types of letters such as adjustment and collection letters that are not ordinarily considered the functions of the sales department. It also permits the inclusion of a valuable section on correspondence supervision including administration, records and filing. Necessarily with such a broad scope the discussion of many topics is somewhat superficial and some fields one would expect to find covered are neglected almost entirely. Little or no space is devoted to the forms of direct mail advertising other than letters. One chapter, "The Complete Mailing Effort," does include a brief discussion of circulars, booklets and catalogues, but other direct mail forms, such as post cards, return cards, blotters, illustrated letters, portfolios and the like are merely referred to in a footnote as "minor forms." House organs are also dismissed in a footnote.

Criticism might justly be made of this proportioning of material. Considered purely and simply as a treatise on the art of letterwriting the book has much of value for any business organization though little that is new in substance. Where the author differs from his predecessors is chiefly in his nearer approach to a systematic and precise formula. While he expressly admits that "we cannot of course, hope to make letterwriting as exact or mathematical as a mechanical science," nevertheless he does seem to have worked in that direction as far as he could. The book is profusely interlarded with charts, tables and graphs for every part of the process of letterwriting from the preparatory analysis to the final draft.

The wisdom of this policy is open to question. Some of these tables of rules are of undoubted value; others are not so useful as they look. The net result of this

profusion is to make letterwriting appear more of a mechanical process than it can be or ought to be. It may be conceded that the beginner in letterwriting, at least, needs some sound principles for his guidance; they should not be so rigid as to cramp his originality.

It is presumable that the book is intended mainly for beginners in letterwriting either in the university classroom or in business houses. Certainly it contains many points that are elementary as well as some rather empty truisms such as the following: "We can lay it down as a cardinal principle of good business management whether we think of retailers, wholesalers, brokers or manufacturers, that letters can always be used for one or another purpose." On the other hand there are many passages that would be almost incomprehensible except to sales managers or others who have had considerable contact with the marketing activities of the business.

The writer's style is sufficiently indicated by the passages that have been quoted. Like many other writers on rhetoric he advocates a simple style with no big words, but like many another before him he occasionally fails to practice his precepts.

The chief merit of the book is that it is fundamentally sound within its somewhat narrow limitations. Careful study of it should enable any letter-writer to avoid some of the more common and costly errors in this important department of business.

GEORGE B. HOTCHKISS,  
*Marketing Consultant,*  
*James F. Newcomb & Co., Inc.*

**How to Get Ahead Financially.** By William A. Schnedler. Harper & Bros., New York, 1926. 170 pages. \$2.00.

I have just read with great interest and profit "How to Get Ahead Financially" by William A. Schnedler.

This book deals with one of the most important social questions facing the people of this country—how to use the personal income in such a balanced way as to get as good a standard of living as the

earnings will afford and accumulate out of the life income enough to provide for the needs in later life.

When we take into consideration that the annual income of the people of this country is somewhere between 80 and 90 billion dollars, that that is the biggest single business in the world and perhaps the most poorly managed, it is obvious that Mr. Schnedler's book has been prepared and published at a timely moment.

It is too much to expect, of course, that every individual who earns an income should read this book, but it at least should be read by executives who employ men and women, and should serve to stimulate them to greater action in the encouragement of their employees to plan their economic lives in a more intelligent and successful way.

This book has been written out of a rich experience. Mr. Schnedler himself not only knows the problem of income management but has personally worked out a plan in his firm that has given him an intimate touch with a cross section of American working people that has been tremendously valuable in the preparation of the book.

He goes into the whole field of financial management in a very complete and effective way, showing not only the importance of systematic saving but the need for the intelligent management of accumulated savings and the development of a complete financial program for the management of the personal income.

The way Mr. Schnedler has handled this subject is so much in harmony with my own views and experience that I take great pleasure in voluntarily expressing my unqualified approval of the masterly way in which he has presented the case. I recommend this book to any executive or individual as a pleasurable and illuminating piece of reading and as a helpful influence in giving a clear and lucid statement of the problems of average people in the management of their personal financial affairs.

ORRIN C. LESTER, *Vice President,*  
*The Bowery Savings Bank.*